FEMSA

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FEMSA REPORTS SECOND QUARTER 1999 AND FIRST HALF 1999 RESULTS

CONSOLIDATED OPERATING MARGIN FOR THE SECOND QUARTER OF 1999 IMPROVES BY A 1.0 PERCENTAGE POINT TO REACH A RECORD HIGH OF 17.5%

Monterrey, Mexico (July 28, 1999) — Fomento Económico Mexicano S.A. ("FEMSA" or the "Company",) (NYSE: FMX) reported today consolidated net sales of Ps. 9.5 billion for the second quarter and Ps. 17.5 billion for the first half ended June 30, 1999, an increase of 3.6% and 5.5%, respectively, over the comparable periods last year. Consolidated revenue growth was driven by revenue growth in three of FEMSA's principal divisions – FEMSA Cerveza, Coca-Cola FEMSA and FEMSA Comercio. Revenue growth in the beverage divisions is primarily a consequence of volume growth and price improvement, particularly for the Company's Mexican operations. In the retail division, revenue growth resulted from growth in the number of stores and in same store sales.

The Company recorded consolidated operating income of Ps. 1.7 billion for the second quarter and Ps. 2.5 billion for the first half of 1999 , an increase of 9.9% and 10.0%, respectively, each over the comparable periods last year. The Company registered a record high operating margin for the second quarter of 1999 of 17.5%, a 1.0 percentage point improvement over the 16.5% operating margin achieved in the second quarter of 1998. The Company's operating margin for the first half of 1999 reached 14.5%, 0.7 percentage points above the first half of 1998.

José Antonio Fernández, chief executive officer of the Company, said, "I am pleased with FEMSA´s financial and operating performance achieved so far in 1999. The second quarter results reflect a better than expected performance of the Mexican economy and, consequently, increased consumer confidence, stable raw material costs, a strong currency environment and, most importantly, our continuous efforts and commitment to improve the Company's profitability. Over the past four years, we have focused on improving the operating profitability of all of our businesses with very encouraging results. We believe, however, that we have important opportunities to continue improving and we will pursue them with the same commitment and consistency demonstrated so far."

Net majority income increased by 119.0% to Ps. 690 million for the second quarter of 1999, and by 298.8% to Ps. 1.34 billion for the first half of 1999, each compared to the same period last year. Earnings per Unit for the second quarter and for the first half of 1999 amounted to Ps. 0.646 and Ps. 1.254, respectively. Earnings per ADR for the second quarter and for the first half of 1999 amounted to 0.684 dollars and 1.328 dollars, respectively.

UNAUDITED FINANCIAL RESULTS FOR THE SECOND QUARTER AND HALF ENDED JUNE 30, 1999 COMPARED TO THE SECOND QUARTER AND HALF ENDED JUNE 30, 1998

Set forth below is certain unaudited financial information for Fomento Económico Mexicano, S.A. de C.V. ("FEMSA" or the "Company") (NYSE: FMX) for the second quarter and six months ended June 30, 1999, compared to June 30, 1998. FEMSA is a holding company, whose principal activities are grouped under the following six sub-holding companies and carried out by their respective operating subsidiaries: FEMSA Cerveza, S.A. de C.V. ("FEMSA Cerveza"), which engages in the production, distribution and marketing of beer; Coca-Cola FEMSA, S.A. de C.V. ("Coca-Cola FEMSA"), which engages in the production, distribution and marketing of soft drinks; FEMSA Empaques, S.A. de C.V. ("FEMSA Empaques"), which engages in the production and distribution of packaging materials; FEMSA Comercio, S.A. de C.V. ("FEMSA Comercio"), which engages in the operation of convenience stores; Desarrollo Comercial FEMSA, S.A. de C.V. ("DCF"), which owns 50.01% of the voting capital stock of Empresas Amoxxo, S.A. de C.V. ("Amoxxo"), which operates convenience stores adjacent to gasoline stations; and FEMSA Logística, S.A. de C.V. ("FEMSA Logística"), which provides logistics management services to FEMSA Cerveza, Coca-Cola FEMSA and FEMSA Empaques.

All of the figures in this report have been restated in constant Mexican pesos ("Pesos" or "Ps.") with purchasing power as of June 30, 1999 and were prepared in accordance with Mexican generally accepted accounting principles ("Mexican GAAP"); therefore, all the percentage changes are expressed in real terms. The restatement was determined as follows:

— For the results of the Mexican operations, using factors derived from the Mexican National Consumer Price Index.
— For the results of the Buenos Aires operations using factors derived from the Argentine National Consumer Price Index and converting constant Argentine pesos into Mexican Pesos, based on the June 30, 1999 exchange rate of Ps. 9.41 per Argentine peso.

Unaudited Financial Results for the Second Quarter ended June 30, 1999 compared to the Second Quarter ended June 30, 1998

FEMSA Consolidated

Total Revenues/Net Sales

FEMSA's consolidated total revenues increased by 3.5% to Ps. 9.536 billion and consolidated net sales increased by 3.6% to Ps. 9.5 billion. FEMSA's consolidated net sales growth was primarily driven by volume growth experienced by FEMSA Cerveza and Coca-Cola FEMSA, as well as significant net sales growth recorded by FEMSA Comercio. FEMSA Empaques, on the other hand, has experienced either slow volume growth or volume decreases and lower prices for some of its main products, which have impacted negatively FEMSA Empaques' net sales, and consequently FEMSA's consolidated net sales growth.

NET SALES GROWTH	2 Qtr 99 vs 2 Qtr 98
FEMSA Consolidated	3.6%
FEMSA Cerveza	3.1%
Coca-Cola FEMSA	5.1%
FEMSA Empaques	(8.0%)
FEMSA Comercio	16.9%

Gross Profit

FEMSA's consolidated gross profit increased by 10.0% to Ps. 4.662 million, representing a consolidated gross profit margin of 49.1%, an increase of 2.9 percentage points. The increase in the consolidated gross profit is a consequence of the increase in the gross profit experienced by FEMSA Cerveza and Coca-Cola FEMSA reflecting (i) lower variable costs, (ii) greater fixed cost absorption and operating leverage realized during the quarter by the beverage subsidiaries as a result of higher utilization of installed production and distribution capacity due to seasonality factors (the beverage industry in general experiences greater demand during the summer months) and (iii) the favorable effect of the real appreciation of the Peso against the U.S. dollar on dollar-denominated costs over the last twelve months. The depreciation of the Peso against the U.S. dollar for the last twelve months was 4.8% compared to an inflation rate of 17.8% over the same period.

CHANGE IN INCOME FROM OPERATIONS Before management fees	2 Qtr 99 vs 2 Qtr 98
FEMSA Consolidated	9.9%
FEMSA Cerveza	14.5%
Coca-Cola FEMSA	16.5%
FEMSA Empaques	(12.3%)
FEMSA Comercio	59.7%

Income from Operations

FEMSA's consolidated operating expenses including goodwill amortization increased by 9.5% to Ps. 3.002 billion. As a percentage of total revenues, consolidated operating expenses increased by 1.7 percentage points to 31.5%. Some of FEMSA's subsidiaries pay management fees to FEMSA in consideration for corporate services provided by FEMSA to such subsidiaries. Management fees paid by FEMSA's subsidiaries to FEMSA are eliminated in consolidation and thus have no effect on FEMSA's consolidated operating expenses, with the exception of the management fee paid by FEMSA Cerveza to Labatt Brewing Company Limited ("Labatt"), which amounted to Ps. 25 million for the second quarter of 1999. FEMSA's consolidated income from operations (after participation in the results of affiliated companies) increased by 9.9% to Ps. 1.668 billion, driven primarily by the increase in income from operations recorded by FEMSA Cerveza, Coca-Cola FEMSA and FEMSA Comercio. FEMSA's consolidated operating margin increased by 1.0 percentage points to 17.5% of consolidated total revenues.

Net Income

FEMSA's consolidated net income increased by 54.1% from Ps. 614 million recorded in the second quarter of 1998 to Ps. 946 million in the second quarter of 1999. The increase in net income was driven by (i) a 9.9% increase in the consolidated income from operations, (ii) a 79.3% decline in the consolidated integral result of financing as a consequence of a decline in net interest expense and a foreign exchange gain

All comparisons for the second quarter ended June 30, 1999 in this report are made against the figures for the second quarter ended June 30, 1998

recorded as a result of the appreciation of the Peso against the U.S. dollar during the second quarter of 1999 and (iii) a reduction of 50.4% in other expenses. The term "integral result of financing" refers to the combined financial effects of (i) net interest expense or interest income, (ii) net foreign exchange gains or losses and (iii) net gains or losses on monetary position.

In the second quarter of 1999, FEMSA recorded consolidated integral result of financing income of Ps. 82 million, compared to a consolidated integral result of financing expense of Ps. 396 million for the comparable period in 1998. During the second quarter of 1999, consolidated net financial expense decreased by 36.6% to Ps. 130 million compared to the second quarter of 1998. This decrease was attributable to (i) a 13.5% decline in interest expense reflecting (a) a decline of approximately $58.7 million in the consolidated average debt balance of the Company during the second quarter of 1999 compared with the second quarter of 1998 and (b) the effect of the real appreciation of the Peso against the U.S. dollar on interest payments on dollar denominated debt; and (ii) a 55.1% increase in interest income resulting from the higher interest rates earned on Peso investments relative to the second quarter of 1998. As a result of the 0.95% appreciation of the Peso in the second quarter of 1999 compared with a 5.5% depreciation in the second quarter of 1998, FEMSA recorded a consolidated foreign exchange gain of Ps. 14 million compared to a consolidated foreign exchange loss of Ps. 326 million recorded in the second quarter of 1998. The gain on monetary position amounted to Ps. 34 million, a decline of 74.8%, primarily reflecting a lower inflation rate in the second quarter of 1999 compared to the second quarter of 1998.

FEMSA and its subsidiaries recognized consolidated income tax, tax on assets and employee profit sharing of Ps. 575 million, an increase of 52.5%. The increase in consolidated income tax, tax on assets and employee profit sharing resulted from the increase in taxable income due primarily to the growth in income from operations and the gain recorded in the consolidated integral result of financing. The Company's average tax rate for the second quarter of 1999 was 37.8% compared to an average tax rate of 38.0% for the same period in 1998.

Consolidated net majority income amounted to Ps. 690 million for the second quarter of 1999 compared with Ps. 315 million recorded in the second quarter of 1998. Net majority income per FEMSA UBD unit[1] amounted to Ps. 0.646 compared with Ps. 0.295 for the same period last year.

2 QTR	**Per FEMSA Unit**[1]		**Per ADR**[2]	
	Pesos		U.S. dollars[3]	
	1999	**1998**	**1999**	**1998**
Net Majority Income	0.646	0.295	0.684	0.278
EBITDA[4]	2.205	1.999	2.336	1.903

The increase in consolidated net majority income is attributable to (i) an increase of 54.1% consolidated net income and (ii) to the fact that, as a consequence of the Exchange Offer implemented during 1998, FEMSA's consolidated net majority income since May 11, 1998 includes the 49% ownership of Emprex which during the month of April and up to May 11, 1998, represented a minority participation in the consolidated results of the Company.

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[1]FEMSA Units consists of FEMSA UBD units and FEMSA UB units. Each FEMSA UBD unit is comprised of one Series B share, two Series D-B shares and two Series D-L shares. Each FEMSA UB unit is comprised of five series B shares. The number of FEMSA Units outstanding as of June 30, 1999 was 1,068,268,090, equivalent to the total number of shares of the Company outstanding as of June 30, 1999 divided by 5.

[2] Each ADR is comprised of 10 FEMSA UBD units. To calculate the net majority income and EBITDA on an equivalent per ADR basis, the number of ADRs used was 106,826,809, equivalent to the number of FEMSA Units outstanding as of June 30, 1999 divided by 10.

[3] For purposes of calculating the variation in U.S. dollars, the 1999 Peso figures were converted into U.S. dollars by applying the Federal Reserve Bank of New York noon buying rate (the "noon buying rate") as of June 30, 1999 of Ps. 9.4430 per U.S. dollar. The 1998 Peso figures were converted into U.S. dollars by applying the noon buying rate as of June 30, 1998 of Ps. 8.9850 per U.S. dollar.

[4] EBITDA is calculated as income from operations plus depreciation and amortization plus non-cash charges. Please note that the U.S. Securities and Exchange Commission does not endorse the use of EBITDA. However, FEMSA's management has chosen to present EBITDA because it believes it is a useful measure.

FEMSA Cerveza

Net Sales

FEMSA Cerveza's net sales increased by 3.1% to Ps. 4.024 billion primarily reflecting a 3.5% increase in total shipments. FEMSA Cerveza's domestic shipments increased by 2.7% to 6.189 million hectoliters, in line with the domestic beer industry, and on top of a 10.7% growth achieved in the second quarter of 1998. The percentage of domestic beer shipments sold in can presentations continues to increase at the expense of the 12 ounce returnable bottle presentation, reaching 17.8% in the second quarter of 1999, compared to 16.3% in the second quarter of 1998. The one-liter returnable bottle presentation also continues to increase at the expense of the 12-ounce returnable bottle presentation.

OPERATING HIGHLIGHTS	
% Change	**2 Qtr 99 vs 2 Qtr 98**
Domestic Volume	2.7%
Export Volume	16.4%
Total Volume	3.5%
Net Sales	3.1%
Income from Operations	14.5%

Export shipments grew by 16.4% to 462 thousand hectoliters. Shipments to North America, FEMSA Cerveza's main export market, increased by 21.0% and accounted for 89.0% of FEMSA Cerveza's export shipments. Although most of the growth in the United States has been driven by XX Lager and Tecate, the roll-out of Sol continues in progress with very satisfactory results in the southern California market, in the principal cities of the state of Texas, and recently in the city of Denver, Colorado. Export revenues increased by 5.1% to Ps. 297 million and in U.S. dollar terms, export revenues increased by 16.7% to US$31 million.

Gross Profit

FEMSA Cerveza's cost of goods sold decreased by 2.7% to Ps. 1.813 billion and recorded gross profit growth of 9.7% to Ps. 2.244 billion. The gross profit margin increased by 3.4 percentage points to 55.8% of net sales reflecting (i) a continuous decline in brewing and packaging costs, (ii) reduction in freight costs, (iii) a more efficient absorption of fixed costs due to seasonality effects and (iv) the effect of the appreciation of the Peso against the U.S. dollar on dollar-denominated packaging materials and imported grains.

MARGINS		
	2 Qtr 99	2 Qtr 98
Gross margin	55.8%	52.4%
Operating margin before management fees	22.9%	20.7%

Income from Operations

FEMSA Cerveza's operating expenses increased by 5.4% to Ps. 1.322 billion, representing 32.6% of total revenue, compared to 32.1% of total revenue for the second quarter 1998. Administrative expenses declined by 5.0% as a consequence of lower corporate expenses, and selling expenses (demand related and channel specific) increased by 8.4%, reflecting FEMSA Cerveza's local and regional marketing and merchandising efforts. FEMSA Cerveza's income from operations, after participation in the results of Labatt USA and before deduction of management fees paid to FEMSA and to Labatt, increased by 14.5% to Ps. 929 million, reflecting the increase in gross profit as well as an improvement in the operating profitability of the export operations despite the negative effect of the appreciation of the Peso against the U.S. dollar on dollar revenues. FEMSA Cerveza's operating margin reached a record high level of 22.9%, a 2.2 percentage point gain over the 20.7% operating margin achieved in the second quarter of 1998.

Coca-Cola FEMSA

Net Sales

Coca-Cola FEMSA recorded net sales growth of 5.1% to Ps. 3.410 billion. Net sales growth is primarily attributable to volume growth in the combined Mexican and Buenos Aires territories as well as an improvement in the average price per unit case in Mexico. Coca-Cola FEMSA recorded volume growth of 1.6% in the combined Mexican territories, and 10.7% in the Buenos Aires territory, including sales volume from the Pilar area of Buenos Aires acquired in 1998. Average real prices for Coca-Cola FEMSA's products in Mexico increased by 3.1% and net sales increased by 4.7% in the combined Mexican territories. In the Buenos Aires territory, average real prices decreased by 4.0% as a result of intensified competitive activity observed during the quarter, and net sales increased by 6.6% in Argentine pesos.

VOLUME GROWTH 2 Qtr 99 vs 2 Qtr 98	
	Total
Valley of Mexico	1.5%
Southeast	1.9%
Buenos Aires (including Pilar area)	10.7%

Gross Profit

Coca-Cola FEMSA's cost of goods sold decreased by 1.1% to Ps. 1.790 billion and experienced gross margin expansion of 2.9 percentage points to 47.8% of net sales. The gross margin expansion is a consequence of (i)lower raw materials and packaging costs experienced by the Mexican and the Buenos Aires territories, (ii) greater fixed cost absorption and scale-driven efficiencies due to the incremental volume sold in the Pilar area and (iii) the effect of the appreciation of the Peso against the U.S. dollar on the costs of dollar-denominated packaging materials.

MARGINS		
	2 Qtr 99	2 Qtr 98
Gross margin	47.8%	44.9%
Operating margin	14.6%	13.1%

Income from Operations

Operating expenses increased by 10.4% to Ps. 1.102 billion. As a percentage of total revenues, operating expenses increased by 1.7 percentage points to 32.2%. The increase in operating expenses is primarily a result of (i) continuous implementation of information technology systems and consequently, related higher investment in human capital and (ii) incremental expenses and depreciation of assets related to the Pilar area acquisition. Notwithstanding the increase in operating expenses, income from operations after amortization of goodwill increased by 16.5% to Ps. 499 million, reflecting (i) a significant increase in the income from operations of Coca-Cola FEMSA's Argentine subsidiary and (ii) a 9.5% increase in the income from operations of Coca-Cola FEMSA's Mexican subsidiaries. Coca-Cola FEMSA's operating margin increased by 1.5 percentage points to 14.6% of total revenues.

All comparisons for the second quarter ended June 30, 1999 in this report are made against the figures for the second quarter ended June 30, 1998

FEMSA Empaques

VOLUME GROWTH 2 Qtr 99 vs 2 Qtr 98	
Beverage cans	(9.0)%
Crown caps	20.0%
Glass bottles	(9.1)%
Refrigerators	(28.9)%

Net Sales

FEMSA Empaques experienced a decline in net sales of 8.0% to Ps. 1.579 billion for the second quarter. The decline in net sales recorded by FEMSA Empaques this quarter is mainly attributable to (i) a decline in the volumes of some of FEMSA Empaques' principal products, namely beverage cans, glass bottles, refrigerators and cardboard, which reflects soft demand from the domestic Mexican beverage industry during the second quarter (ii) continuous decline in the export volume of beverage cans and can lids, (iii) lower prices in real terms for some of FEMSA Empaques' products and (iv) the negative effect of the appreciation of the Peso in sales recorded for dollar-denominated packaging products such as beverage cans and crown caps. Soft-drink bottlers' demand for beverage cans has slowed down importantly compared to the first quarter of 1999 in part reflecting the shift towards PET non-returnable presentations where the personal size presentations are competing against the can presentation via relative pricing. Glass bottle volumes continue to decline in the second quarter of 1999, reflecting a significant reduction in Coca-Cola FEMSA's demand for glass bottles, although the decline in volume observed this quarter is lower than the declines observed in the previous two quarters. See "Unaudited Financial Results for the Six Months Ended June 30, 1999 compared to the Six months Ended June 30 1998 —FEMSA Empaques" below. Export revenues decreased by 30.3% to Ps. 109 million and represented 6.9% of net sales. In U.S. dollar terms, export revenues decreased by 23.1% to US$11.3 million. The decline in export revenues is primarily attributable to the decline in the export volumes of beverage cans and can lids, reflecting increased competition in the markets FEMSA Empaques exports beverage cans, such as some South American countries. In addition it becomes less profitable to export at lower prices given the high freight costs incurred in transporting beverage cans. Export revenues exclude revenues from the sale of aluminum scrap which totaled US$2.6 million in 1999 compared to US$3.3 million in 1998.

Gross Profit

FEMSA Empaques' cost of goods sold decreased by 7.3% to Ps. 1.204 billion, a lower decrease than the decrease experienced in net sales, evidencing an inefficient absorption of fixed costs as a result of the declines in volume. In addition, the gross margin of the beverage can and crown cap businesses has been affected by the appreciation of the Peso against the U.S. dollar, since these products are sold in U.S. dollars in the Mexican market. The gross profit decreased by 10.5% to Ps. 380 million and the gross margin declined by 0.7 percentage points to 24.0%.

MARGINS	2 Qtr 99	2 Qtr 98
Gross margin	24.0%	24.7%
Operating margin before management fees	15.1%	15.8%

Income from Operations

Operating expenses decreased by 7.3% to Ps. 141 million and remained constant as a percentage of total revenues at 8.9%, compared to the same period last year. Income from operations before deduction of management fees decreased by 12.3% to Ps. 239 million, primarily reflecting the decline in gross profit.

FEMSA Comercio

Net Sales

FEMSA Comercio's net sales increased by 16.9% to Ps. 1.336 billion. Sales growth was primarily attributable to (i) a 15.6% increase in the total number of stores from 907 at June 30, 1998 to 1,049 at June 30, 1999, (ii) strong sales of high frequency products, particularly beverages, observed throughout the quarter and (iii) average same store sales growth of 5.9%. Average monthly traffic per store increased by 11.0% and the average sale per customer increased by 4.4% to Ps. 17.3. Management believes that the increase in traffic per store is in part attributable to (i) FEMSA Comercio's strategy of competitively pricing high-frequency items relative to supermarkets and (ii) strong promotional campaigns of "hook" type products designed to attract traffic.

OPERATING HIGHLIGHTS	
% CHANGE	**2 Qtr 99 VS 2 Qtr 98**
Total stores	1,049
Net sales	16.9%
Same store sales	5.9%
Income from operations	59.7%

Gross Profit

FEMSA Comercio recorded gross profit of Ps. 332 million, a 22.6% gain over the second quarter of 1998. The gross margin increased by 1.1 percentage points to 24.8% of net sales, reflecting rebates and discounts obtained from certain suppliers during the quarter as a result of larger volume purchases.

MARGINS		
	2 Qtr 99	2 Qtr 98
Gross margin	24.8%	23.7%
Operating margin before management fees	4.2%	3.1%

Income from Operations

Operating expenses increased by 17.0% to Ps. 275 million and remained constant as a percentage of total revenues at 20.6% compared to the second quarter of 1998. The increase in operating expenses is primarily attributable to (i) an increase in the number of stores and (ii) a slight growth in corporate infrastructure, both in terms of personnel and information technology equipment, as a consequence of the significant growth in the size of the retail chain experienced over the past twelve months. FEMSA Comercio recorded income from operations before deduction of management fees of Ps. 57 million in the second quarter of 1999, an increase of 59.7% relative to the second quarter of 1998, as a consequence of continuous strong revenue growth being leveraged on an existing administrative and operating structure. FEMSA Comercio's operating margin increased by 1.1 percentage points to 4.2% of total revenues.

All comparisons for the second quarter ended June 30, 1999 in this report are made against the figures for the second quarter ended June 30, 1998

Unaudited Financial Results for the Six Months ended June 30, 1999 compared to the Six Months ended June 30, 1998

FEMSA Consolidated

NET SALES GROWTH Six months ended June 30, 1999 vs 1998	
FEMSA Consolidated	5.5%
FEMSA Cerveza	5.5%
Coca-Cola FEMSA	7.1%
FEMSA Empaques	(3.1%)
FEMSA Comercio	17.9%

Total Revenues/Net Sales

FEMSA's consolidated total revenues increased by 5.3% to Ps. 17.545 billion and consolidated net sales increased by 5.5% to Ps. 17.497 billion. Net sales growth for the first half of 1999 were driven primarily by volume growth and improved pricing experienced by FEMSA Cerveza and Coca-Cola FEMSA in Mexico, and an aggressive expansion of stores coupled with same store sales growth of 8.6% in the case of FEMSA Comercio. FEMSA Empaques on the other hand, has experienced either slow volume growth or volume decreases in some of its main products and lower prices, which has impacted negatively on FEMSA Empaques' net sales, and consequently FEMSA's consolidated net sales growth.

Gross Profit

FEMSA's consolidated gross profit increased by 11.0% to Ps. 8.336 billion, representing a consolidated gross profit margin of 47.6%, an increase of 2.3 percentage points. The expansion in the consolidated gross profit margin reflects (i) lower variable costs as a result of the reduction in the prices of some of FEMSA's main raw materials, (ii) continuous production and scale-driven efficiencies primarily in the beverage subsidiaries, and (iii) the effect on dollar-denominated costs of the real appreciation of the Peso against the U.S. dollar over the last twelve months. The depreciation of the Peso against the U.S. dollar for the last twelve months was 4.8% compared to an inflation rate of 17.8% over the same period.

Income from Operations

FEMSA's consolidated operating expenses including goodwill amortization increased by 11.0% to Ps. 5.797 billion. As a percentage of total revenues, consolidated operating expenses increased by 1.7 percentage points to 33.0%. Some of FEMSA's subsidiaries pay management fees to FEMSA in consideration for corporate services provided by FEMSA to such subsidiaries. Management fees paid by FEMSA's subsidiaries to FEMSA are eliminated in consolidation and thus have no effect on FEMSA's consolidated operating expenses, with the exception of the management fee paid by FEMSA Cerveza to Labatt, which amounted to Ps. 43 million for the first half of 1999. FEMSA's consolidated income from operations (after participation in the results of affiliated companies) increased by 10.0% to Ps. 2.541 million driven by an increase in profitability in all of FEMSA's subsidiaries with the exception of FEMSA Empaques. FEMSA's consolidated operating margin increased by 0.7 percentage points to 14.5% of consolidated total revenues.

CHANGE IN INCOME FROM OPERATIONS Before management fees Six months ended June 30, 1999 vs 1998	
FEMSA Consolidated	10.0%
FEMSA Cerveza	13.5%
Coca-Cola FEMSA	20.1%
FEMSA Empaques	(8.8)%
FEMSA Comercio	62.1%

Net Income

FEMSA's consolidated net income increased by 139.7% from Ps. 728 million recorded in the first half of 1998 to Ps. 1,745 million for the first half of 1999. The increase in net income was driven by (i) a 10.0% increase in the consolidated income from operations and (ii) a 124.8% decline in the consolidated integral result of financing as a consequence of a decline in net interest expense and a foreign exchange gain recorded as a result of the appreciation of the Peso against the U.S. dollar during the first half of 1999.

All comparisons for the six months ended June 30, 1999 in this report are made against the figures for the six months ended June 30, 1998

In the first half of 1999, FEMSA recorded consolidated integral result of financing income of Ps. 232 million, compared to a consolidated integral result of financing expense of Ps. 937 million for the comparable period in 1998. During the first half of 1999, consolidated net financial expense decreased by 40.2% to Ps. 278 million compared to the first half of 1998. This decrease was attributable to (i) an 18.3% decline in interest expense reflecting (b) a decline of approximately $146.5 million in the consolidated average debt balance of the company during the first six months of 1999 compared with the first six months of 1998 and (b) the effect of the real appreciation of the Peso against the U.S. dollar on interest payments on dollar denominated debt and (ii) a 57.0% increase in interest income as a consequence of the higher interest rates earned on Peso investments relative to the first half of 1998. As a result of the appreciation of the Peso of 4.8% in the first half of 1999 compared with a depreciation of 11.5% in the first half of 1998, FEMSA recorded a consolidated foreign exchange gain of Ps. 276 million compared to a consolidated foreign exchange loss of Ps. 887 million recorded in the first half of 1998. The gain on monetary position amounted to Ps. 234 million, a decline of 43.6%, primarily reflecting a lower inflation rate in the first half of 1999 compared to the first half of 1998.

	Per FEMSA Unit[1]		**Per ADR**[2]	
	Pesos		U.S. dollars[3]	
June 30	**1999**	**1998**	**1999**	**1998**
Net Majority Income	1.254	0.315	1.328	0.298
EBITDA[4]	3.671	3.311	3.888	3.156

FEMSA and its subsidiaries recognized consolidated income tax, tax on assets and employee profit sharing of Ps. 948 million, an increase of 104.8%. The increase in consolidated income tax, tax on assets and employee profit sharing is a consequence of the increase in taxable income primarily as a result of the growth in income from operations and the gain recorded in the integral result of financing. Notwithstanding the increase in consolidated income tax, tax on assets and employee profit sharing expense, the Company's average tax rate for the first half of 1999 was 35.2% compared to an average tax rate of 38.9% for the same period in 1998, as a consequence of a higher rate of growth in taxable income relative to the growth in consolidated income tax, tax on assets and employee profit sharing.

Consolidated net majority income amounted to Ps. 1.340 billion for the first half of 1999 compared with Ps. 336 million recorded in the first half of 1998. Net majority income per FEMSA UBD unit[1] amounted to Ps. 1.254 compared with Ps. 0.315 for the same period last year.

The significant increase in consolidated net majority income is attributable to (i) an increase of 139.7% consolidated net income and (ii) to the fact that, as a consequence of the Exchange Offer implemented during 1998, FEMSA's consolidated net majority income, since May 11, 1998 includes the 49% ownership of Emprex which up to May 11, 1998, represented a minority participation in the consolidated results of the Company.

Management believes that the increase in FEMSA's net income for the first half of 1999 was largely due to the appreciation of the peso during this period and that a future depreciation of the peso of a similar magnitude could have a corresponding negative effect on FEMSA's net income.

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[1] FEMSA Units consists of FEMSA UBD units and FEMSA UB units. Each FEMSA UBD unit is comprised of one Series B share, two Series D-B shares and two Series D-L shares. Each FEMSA UB unit is comprised of five series B shares. The number of FEMSA Units outstanding as of June 30, 1999 was 1,068,268,090, equivalent to the total number of shares of the Company outstanding as of June 30, 1999 divided by 5.

[2] Each ADR is comprised of 10 FEMSA UBD units. To calculate the net majority income and EBITDA on an equivalent per ADR basis, the number of ADRs used was 106,826,809, equivalent to the number of FEMSA Units outstanding as of June 30, 1999 divided by 10.

[3] For purposes of calculating the variation in U.S. dollars, the 1999 Peso figures were converted into U.S. dollars by applying the Federal Reserve Bank of New York noon buying rate (the "noon buying rate") as of June 30, 1999 of Ps. 9.4430 per U.S. dollar. The 1998 Peso figures were converted into U.S. dollars by applying the noon buying rate as of June 30, 1998 of Ps. 8.9850 per U.S. dollar.

[4] EBITDA is calculated as income from operations plus depreciation and amortization plus non-cash charges. Please note that the U.S. Securities and Exchange Commission does not endorse the use of EBITDA. However, FEMSA's management has chosen to present EBITDA because it believes it is a useful measure.

FEMSA Cerveza

Net Sales

FEMSA Cerveza's net sales increased by 5.5% to Ps. 7.043 billion reflecting (i) a 4.3% increase in total shipments, (ii) an increase in the domestic price of beer implemented on January 1, 1999, and (iii) an improvement in the proportion of the can presentation as percentage of domestic shipments. FEMSA Cerveza's domestic shipments increased by 3.7% to 10.672 million hectoliters, as a result of (i) favorable weather conditions during the first six months of the year prevailing in FEMSA Cerveza's strong-hold territories, (ii) increased consumer confidence reflecting better than expected performance of the economy and lower inflation levels and (iii) on-going promotional activities.

OPERATING HIGHLIGHTS % Change Six months ended June 30, 1999 vs 1998	
Domestic Volume	3.7%
Export Volume	13.5%
Total Volume	4.3%
Net Sales	5.5%
Income from Operations	13.5%

Shipments for Sol, XX Lager, and Tecate increased by 20.1%, 3.5%, and 3.1%, respectively. Other brands such as Bohemia, Tecate Light and Indio also experienced important growth rates during the first half, although they represent a small percentage of FEMSA Cerveza's domestic shipments. Export shipments grew by 13.5% to 740 thousand hectoliters. Shipments to North America, FEMSA Cerveza's main export market, increased by 16.8% and accounted for 88.4% of FEMSA Cerveza's export shipments. Recently, FEMSA Cerveza strengthened its efforts to Canadian market so far achieving very satisfactory results. Export shipments to Asia have grown 38.5% for the first half of 1999 although such market accounted for 3.6% of total export shipments. Export revenues increased by 5.7% to Ps. 484 million and in U.S. dollar terms, export revenues increased by 13.8% to US$49.5 million.

Gross Profit

FEMSA Cerveza's cost of goods sold increased by 0.5% to Ps. 3.319 billion and recorded gross profit growth of 10.8% to Ps. 3.774 billion. As a result of a lower rate of growth of the cost of goods sold relative to net sales, the gross margin increased by 2.6 percentage points to 53.6% of net sales, reflecting (i) a real decline in brewing and packaging costs, (ii) reduction in freight costs, (iii) increased production and scale-driven efficiencies and (iv) the effect of the appreciation of the Peso against the U.S. dollar on dollar-denominated packaging materials.

MARGINS		
Six months ended June 30	1999	1998
Gross margin	53.6%	51.0%
Operating margin before management fees	17.6%	16.4%

Income from Operations

FEMSA Cerveza's operating expenses increased by 8.6% to Ps. 2.525 billion, representing 35.6% of total revenue, compared to 34.7% of total revenue for the same period last year. The increase in operating expenses is primarily attributable to (i) intensification of both push and pull related activities in selective channels, (ii) a more aggressive long-term incentive compensation program for management, including the sales force and (iii) continuous efforts to increase brand awareness in both the domestic and the export markets. FEMSA Cerveza's income from operations, after participation in the results of Labatt USA and before deduction of management fees paid to FEMSA and to Labatt, increased by 13.5% to Ps. 1.252 million. FEMSA Cerveza´s operating margin before management fees increased by 1.2 percentage points to 17.6% of total revenues.

All comparisons for the six months ended June 30, 1999 in this report are made against the figures for the six months ended June 30, 1998

Coca-Cola FEMSA

Net Sales

Coca-Cola FEMSA recorded net sales growth of 7.1% to Ps. 6.568 billion. Net sales growth is primarily attributable to volume growth in the combined Mexican and Buenos Aires territories and the improvement in the average price per unit case in Mexico. Coca-Cola FEMSA recorded volume growth of 4.3% in the combined Mexican territories, and 11.2% in the Buenos Aires territory, including sales volume from the Pilar area of Buenos Aires acquired in 1998. Average real prices for Coca-Cola FEMSA's products in Mexico increased by 2.5% and net sales increased by 6.9% in the combined Mexican territories. In the Buenos Aires territory, average real prices decreased by 3.0% as a result of intensified competitive activity observed during the second quarter, and net sales increased by 7.8% in Argentine Pesos. At the end of the first quarter, Coca-Cola FEMSA implemented a 7% weighted average price increase in the Valley of Mexico territory and a 15% weighted average price increase in parts of the State of Oaxaca in the Southeast Territory.

VOLUME GROWTH 2 Qtr 99 vs 2 Qtr 98	
	Total
Valley of Mexico	4.5%
Southeast	3.7%
Buenos Aires (including Pilar area)	11.2%

Gross Profit

Coca-Cola FEMSA's cost of goods sold increased by 1.9% to Ps. 3.533 billion and experienced gross margin expansion of 2.1 percentage points to 46.5% of net sales. The gross margin expansion is in part attributable to developments at the Buenos Aires operations including (i) increased operating leverage as a result of the incremental volume from servicing the Pilar area, (ii) a decline in certain packaging and raw material costs (iii) continuous decline in fixed costs and (iv) lower prices of products purchased from Complejo Industrial CAN S.A. ("CICAN"), which resulted in lower costs for Coca-Cola FEMSA, but lower profits received through its 48.1% ownership in CICAN. The Mexican operations also experienced gross margin expansion primarily as a result of the effect of the appreciation of the Peso against the U.S. dollar on dollar-denominated costs and greater efficiencies achieved in the production processes.

MARGINS		
Six months ended June 30	1999	1998
Gross margin	46.5%	44.4%
Operating margin	13.3%	11.9%

Income from Operations

Operating expenses increased by 9.6% to Ps. 2.119 billion. As a percentage of total revenues, operating expenses increased by 1.0 percentage point to 32.2%. The increase in operating expenses is primarily a result of (i) the continuous implementation of information technology systems and (ii) higher selling expenses as a result of the acquisition of the Pilar area. Notwithstanding the increase in operating expenses, income from operations after amortization of goodwill increased by 20.1% to Ps. 878 million, reflecting (i) an increase of 114.8% in the income from operations of Coca-Cola FEMSA's Argentine subsidiary and (ii) an 11.4% increase in the income from operations of Coca-Cola FEMSA's Mexican subsidiaries. Coca-Cola FEMSA's operating margin increased by 1.4 percentage points to 13.3% of total revenues.

All comparisons for the six months ended June 30, 1999 in this report are made against the figures for the six months ended June 30, 1998

FEMSA Empaques

Net Sales

VOLUME GROWTH	
Six months ended June 30, 1999 vs 1998	
Beverage cans	4.8%
Crown caps	20.7%
Glass bottles	(14.7%)
Refrigerators	(30.8%)

In the first half of 1999, FEMSA Empaques experienced a 3.1% decline in net sales to Ps. 3.075 billion. This decline in net sales recorded by FEMSA Empaques for the first six months of 1999 is mainly attributable to (i) a decline in the domestic demand for packaging products in general and (ii) the negative effect of the appreciation of the Peso in sales recorded for dollar-denominated packaging products such as beverage cans and crown caps. The rapid shift in the presentation mix of the soft-drink industry towards PET presentations so far has impacted FEMSA Empaques as follows: (i) Substantially less purchases of glass bottles by Coca-Cola FEMSA, for which FEMSA Empaques continues to capture third-party clients although the net effects as of June 30, 1999 continues to be negative; (ii) consequently, less demand for crown caps, which FEMSA Empaques has more than compensated by exporting crown caps to the United States, Canada and several other countries in Latin America; and (iii) a decline in the demand for beverage cans for soft-drinks, particularly during the second quarter, reflecting increased competition from more competitively priced personal size PET non-returnable presentations which could be a temporary trend depending on the relative pricing strategies of the soft-drink companies. These trends have impacted FEMSA Empaques' sales volumes during the first six months of 1999, which, on top of the fact that two of these three products are dollar-denominated, have resulted in a decline in the net sales of FEMSA Empaques for the first six months of 1999. The domestic refrigeration industry has also experienced significant declines in volumes as a consequence of tighter capital expenditure budgets of the beverage companies in general compared with the budgets of 1998. Export revenues decreased by 18.0% to Ps. 244 million and represented 7.9% of net sales. In U.S. dollar terms, export revenues decreased by 13.0% to US$25 million. The decline in export revenues is primarily attributable to the decline in the export volumes of beverage cans and can lids, reflecting increased competition in the markets FEMSA Empaques exports beverage cans, such as some South American countries. In addition it becomes less profitable to export at lower prices given the high freight costs incurred in transporting beverage cans. Export revenues exclude revenues from the sale of aluminum scrap which totaled US$11.2 million in 1999 compared to US$8.6 million in 1998.

Gross Profit

FEMSA Empaques' cost of goods sold decreased by 2.0% to Ps. 2.336 billion and the gross profit margin of decreased by 1.0 percentage point to 24.3% reflecting a lower decline in the cost of goods sold relative to the decline experienced by net sales. The decline in gross profit is attributable to (i) a decline in net sales, (ii) less efficient absorption of fixed costs as a consequence of the decline in volume and (iii) higher sales of lower value-added products such as imported beverage cans, which have a lower margin compared to internally produced beverage cans, and crown caps for exports, which are manufactured with higher priced imported steel.

MARGINS		
Six months ended June 30	1999	1998
Gross margin	24.3%	25.3%
Operating margin before management fees	15.4%	16.4%

Income from Operations

Operating expenses decreased by 3.5% to Ps. 272 million. Operating expenses remained constant as a percentage of sales compared to the same period last year at 8.8%. Income from operations before deduction of management fees decreased by 8.8% to Ps. 476 million, primarily reflecting the decline in net sales and in gross profit.

All comparisons for the six months ended June 30, 1999 in this report are made against the figures for the six months ended June 30, 1998

FEMSA Comercio

OPERATING HIGHLIGHTS % Change Six months ended June 30, 1999 vs 1998	
Total stores	1,049
Net sales	17.9%
Same store sales	8.6%
Income from operations	62.1%

Net Sales

FEMSA Comercio's net sales increased by 17.9% to Ps. 2.495 billion. Sales growth was primarily attributable to (i) a 15.6% increase in the total number of stores, which increased from 907 at June 30, 1998 to 1,049 at June 30, 1999, and (ii) average same store sales growth of 8.6%. Strong same store sales growth is in part attributed to (i) recently opened sites in the northwestern region reaching their state of maturity faster than expected, with sales currently exceeding the average same store sales for the chain and (ii) strong consumption of high frequency products, particularly beverages, observed during the first six months of this year. Average monthly traffic per store increased by 12.7% and the average sale per customer increased by 4.7% to Ps. 17.3. Management believes that the increase in traffic per store is in part attributed to (i) FEMSA Comercio's strategy of competitively pricing high-frequency items relative to supermarkets and (ii) strong promotional campaigns of "hook" type products designed to attract traffic.

Gross Profit

FEMSA Comercio recorded gross profit of Ps. 612 million, a 20.1% gain over the first half of 1998. The gross margin increased slightly by 0.4 percentage points to 24.5% of net sales as a result of certain purchasing strategies and rebates from key suppliers obtained during the second quarter of 1999.

MARGINS		
Six months ended June 30	1999	1998
Gross margin	24.5%	24.1%
Operating margin before management fees	3.8%	2.8%

Income from Operations

Operating expenses increased by 14.6% to Ps. 517 million and decreased as a percentage of total revenues to 20.7% from 21.4% in the first half of 1998. The increase in operating expenses is primarily attributable to (i) an increase in the number of stores and (ii) a slightly larger corporate infrastructure as a consequence of the significant growth in the size of the chain experienced last year. Average expenditure per store continues to decline reflecting efficiencies in store management and operations processes of the retail chain. FEMSA Comercio recorded income from operations before deduction of management fees of Ps. 95 million in the first half of 1999, an increase of 62.1% relative to the first half of 1998. FEMSA Comercio´s operating margin before management fees increased by 1.0 percentage points to 3.8% of total revenues.

All comparisons for the six months ended June 30, 1999 in this report are made against the figures for the six months ended June 30, 1998

Year 2000

The Company continues the process of updating software applications and, in some cases, replacing its hardware, and all embedded components in plants, including software and hardware, and in administrative buildings such as elevators and security systems. Management believes that FEMSA's integrated structure (i) reduces the cost of the Y2K problem for FEMSA since many applications are shared among different subsidiaries, (ii) facilitates the implementation and monitoring process of the Y2K Project and (iii) reduces the Company's exposure to Y2K supplier risk.

Status of Completion

The Y2K working plan has been implemented in the Subholding Companies and their respective subsidiaries. The inventory phase of the Y2K working plan has been completed by all such entities. Management believes that the Company is on schedule for its conversion, testing and implementation phases. FEMSA Empaques and FEMSA Comercio are currently certified and compliant and the rest of Subholding Companies, including the corporate offices, are expected to be Y2K certified and compliant not later than August 30, 1999.

The following table presents the status of completion, by Subholding Company, of the different phases involved in the conversion process to solve the Y2K problem.

STATUS OF Y2K PROJECT FOR FEMSA AND SUBHOLDING COMPANIES

As of June 30, 1999

	FEMSA Cerveza	Coca-Cola FEMSA	FEMSA Empaques	FEMSA Comercio	FEMSA Logística	Holding Emprex (Corporate Offices)	FEMSA (Consolidated)
I PROJECT MANAGEMENT							
Continuous monitoring of the project	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Existence of a contingency plan	In process	Completed	Completed	In process	No	No	
II INFORMATION TECHNOLOGY							
1. Software Application							
Inventory of internally developed applications	100%	100%	100%	100%	100%	100%	100%
Status of conversion plan	100%	96%	100%	100%	100%	90%	99%
Conversion of third party applications	98%	92%	N/A	100%	97%	70%	96%
Expected completion date	July 15, 1999	August 31, 1999	June 30, 1999	May 31, 1999	July 31, 1999	August 31, 1999	
2. Hardware							
Status of modifications and replacements	100%	98%	100%	100%	100%	100%	99%
Expected completion date	April 15, 1999	July 30, 1999	December 31, 1998	May 5, 1999	April 30, 1998	August 31, 1998	
3. Estimated Cost (Thousands U.S. Dollars)	$ 900	$750	$ 270	$ 562	$ 12	$ 364	$ 2,708
III NON-INFORMATION TECHNOLOGY							
1. Production Equipment and other							
Inventory of equipment	100%	100%	100%	100%	100%	100%	100%
Certification of equipment providers	100%	100%	100%	100%	70%	70%	97%
Status of conversion plan	92%	95%	99%	100%	N/A	100%	96%
Expected completion date	August 15, 1999	July 30, 1999	June 30, 1999	May 31, 1999	July 31, 1999	August 31, 1999	
2. Estimated Cost (Thousands of Dollars)	$ 454	$1,250	$ 10	$ 0	$ 0	$ 277	$ 2,141
IV TOTAL ESTIMATED COST OF FEMSA Y2K PROJECT	$ 1,354	$ 2,000	$ 280	$ 562	$ 12	$ 641	$ 4,849

All comparisons for the six months ended June 30, 1999 in this report are made against the figures for the six months ended June 30, 1998

Costs

The Company estimates that its Y2K upgrading program will cost approximately US$5 million. Management believes that the relatively low cost of its Y2K upgrading program reflects the fact that (i) a significant part of the conversion process was undertaken using internal resources; (ii) the critical administrative and operational software applications in the case of FEMSA Cerveza and FEMSA Empaques were already Y2K compliant and (iii) Coca-Cola FEMSA's efforts to upgrade its information systems technology were not included in the estimate because this upgrade is being undertaken independently of the Y2K upgrading program. Coca-Cola FEMSA's new information systems will be Y2K compliant. The Company believes that the cost of its Y2K efforts will not have a material adverse impact on the operations or financial condition of the Company and they have been and will continue to be funded with internal resources

Risk

The Company believes the greatest risk of disruption in the operations of its subsidiaries primarily arises from the Company's dependence on third party business relationships. The Company has identified and classified as material risks to the Company's operation, the absence or shortage in the supply of the following critical inputs in the production processes: (i) water, (ii) electricity, (iii) fuel, (iv) raw materials and (v) telecommunications. In addition, the Company believes that failures in the banking system could cause credit and cash constraints that could lead to liquidity problems disrupting the transactions in which the Company engages in the normal course of its business.

The Company has contacted all of its critical suppliers, customers and other business partners to determine their preparation for the Y2K problem and to assess the Company's vulnerability to third-party Y2K risk. Although the Company will make its best efforts to insulate itself from exposure to third-party Y2K problems and expects to have contingency plans to face the most reasonably likely worst case scenarios, it can not guarantee that these third parties, including critical suppliers, will be properly prepared by the end of 1999, nor can it guarantee that any Y2K problems experienced by third-parties will not affect FEMSA's or the Subholding Companies' operations.

The Company's subsidiaries are in the process of identifying and prioritizing all of the material consequences in case any of the above-mentioned third party risks were to materialize and expects to develop contingency plans to respond to the most reasonably likely worst-case scenarios.

Contingency Plans

The Internal Auditing Department of the Company has provided specific guidelines to FEMSA Cerveza, FEMSA Empaques and FEMSA Comercio for the preparation of their contingency plans, based on the guidelines published by the Disaster and Recovery Institute of the United States Government and the British Electrical Engineering Institute. Coca-Cola FEMSA´s contingency plan was designed after the guidelines provided by the Coca-Cola Company. As of June 30, 1999 only Coca-Cola FEMSA and FEMSA Empaques had completed a contingency plan, which are expected to be revised and updated as they get implemented during the third and fourth quarter. The rest of the Subholding Companies continue in the process of designing a contingency plan. The expected date of completion of such contingency plans is the end of the third quarter of 1999.

This report may contain certain forward-looking statements concerning FEMSA's future performance and should be considered as good faith estimates made by the Company. These forward-looking statements reflect management expectations and are based upon currently available data. Actual results are subject to future events and uncertainties, which could materially impact the Company's actual performance.

FEMSA is Mexico's largest strategically integrated beverage company with exports to the United States, Canada and numerous countries in Latin America, Europe and the Far East. Founded in 1890 and with headquarters in Monterrey, Mexico, FEMSA operates through the following subsidiaries: FEMSA Cerveza, which produces and distributes name brands of beer such as Tecate, Carta Blanca, Superior, Sol, XX Lager, Dos Equis and Bohemia; Coca-Cola FEMSA, one of two "Anchor Bottlers" for The Coca-Cola Company in Latin America, which produces and distributes soft drinks including Coca-Cola, Coca-Cola Light, Sprite, Fanta and Quatro; FEMSA Empaques, which supports the beverage operations by producing beverage cans, glass bottles, crown caps, labels, cardboard, commercial refrigerators, and serves third party clients throughout the Americas; FEMSA Comercio, which operates OXXO, Mexico's most extensive chain of convenience stores; Desarrollo Comercial FEMSA, which operates OXXO Express, which operates convenience stores adjacent to gasoline stations and FEMSA Logística, which provides logistics management services to FEMSA Cerveza, Coca-Cola FEMSA and FEMSA Empaques.

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Four pages of tables to follow

OPERATING DATA

For the second quarter and first half ended June 30, 1999 and 1998

FEMSA Cerveza

Shipments
(Thousand hectoliters)

	Second quarter of:			First half of:		
	1999	**1998**	**%Var**	**1999**	**1998**	**%Var**
Domestic:						
Returnable	4,881	4,842	0.8	8,396	8,182	2.6
Non-returnable	209	204	2.5	354	345	2.6
Cans	1,099	983	11.8	1,922	1,761	9.1
Total Domestic	6,189	6,029	2.7	10,672	10,288	3.7
Exports	462	397	16.4	740	652	13.5
Total Volume	6,651	6,426	3.5	11,412	10,940	4.3
Exports revenues: Millions Ps.	296.8	282.4	5.1	483.7	457.5	5.7
US Millions	30.8	26.4	16.7	49.5	43.5	13.8

Coca-Cola FEMSA

Sales Volumes
(Millions of Unit Cases)

	Second quarter of:			First half of:		
	1999	**1998**	**%Var**	**1999**	**1998**	**%Var**
Valley of Mexico	83.5	82.3	1.5	157.0	150.2	4.5
Southeast	27.2	26.7	1.9	50.1	48.3	3.7
Mexico	110.7	109.0	1.6	207.1	198.5	4.3
Buenos Aires	26.8	24.2	10.7	58.5	52.6	11.2
Total	137.5	133.2	3.2	265.6	251.1	5.8

Presentation Mix (%)	Second quarter of:		First half of:	
(Returnable/Non-Returnable)	**1999**	**1998**	**1999**	**1998**
Valley of Mexico	40/60	49/51	40/60	51/49
Southeast	56/44	60/40	58/42	62/38
Buenos Aires	12/88	11/89	10/90	13/87
Total	38/62	45/55	37/63	45/55

Product Mix (%)	Second quarter of:		First half of:	
(Colas/Flavors/Water)	**1999**	**1998**	**1999**	**1998**
Valley of Mexico	75/23/02	75/22/03	76/22/02	75/23/02
Southeast	72/22/06	70/23/07	73/22/05	71/23/06
Buenos Aires	77/22/01	78/21/01	75/24/01	76/23/01
Total	75/22/03	74/22/04	75/23/02	74/23/03

Total 75/22/03 74/22/04 75/23/02 74/23/03

FEMSA Empaque

Total Sales Volume
(Millions of pieces)

		Second quarter of:			First half of:		
		1999	**1998**	**%Var**	**1999**	**1998**	**%Var**
Cans		780	855	(8.8)	1,508	1,439	4.8
Crown caps		3,583	2,986	20.0	6,356	5,265	20.7
Glass Bottles		239	263	(9.1)	412	483	(14.7)
Cardboard boxes (Ths m2)		25,873	26,138	(1.0)	48,690	46,843	3.9
Refrigerators (Ths)		27	38	(28.9)	63	91	(30.8)
Labels		1,168	943	23.9	2,029	1,762	15.2
Export volumes:	Cans	18	67	(73.1)	77	159	(51.6)
	Crown caps	1,508	823	83.2	2,666	1,472	81.1
	Can lids	52	113	(54.0)	129	264	(51.1)
Exports revenues:	Millions Ps.	109.2	156.6	(30.3)	243.9	297.3	(18.0)
	US Millions	11.3	14.7	(23.1)	24.7	28.4	(13.0)

Percentage of sales revenue by client category:

	Second quarter of:			First half of:		
	1999	**1998**	**Var p.p.**	**1999**	**1998**	**Var p.p.**
Intercompany sales	49.3	53.1	(3.8)	50.4	54.0	(3.6)
FEMSA Cerveza	37.3	35.2	2.1	37.2	32.8	4.4
Coca-Cola FEMSA	12.0	17.9	(5.9)	13.2	21.2	(8.0)
Third-party sales	50.7	46.9	3.8	49.6	46.0	3.6
Domestic	43.6	37.9	5.7	42.0	37.0	5.0
Export	7.1	9.0	(1.9)	7.6	9.0	(1.4)
Total	100.0	100.0		100.0	100.0	

FEMSA Comercio

	Second quarter of:			First half of:		
	1999	**1998**	**%Var**	**1999**	**1998**	**%Var**
Total stores				1,049	907	15.7
Comparative same stores:						
Average monthly sales (Ths. Ps.)	424.7	401.2	5.9	402.3	370.3	8.6
Average ticket per customer (Ps.)	17.3	16.6	4.2	17.3	16.5	4.8
Average monthly traffic per store (Ths.)	24.5	24.2	1.2	23.3	22.4	4.0

FEMSA

CONSOLIDATED INCOME STATEMENT

For the second quarter and first half ended June 30, 1999 and 1999

Expressed in Millions of Pesos as of June 30, 1999

	Second quarter of:			First half of:		
	1999	1998	%Var	1999	1998	%Var
Net sales	9,500	9,174	3.6	17,497	16,581	5.5
Other operating revenues	36	38	(5.3)	48	86	(44.2)
Total revenues	9,536	9,212	3.5	17,545	16,667	5.3
Cost of sales	4,874	4,973	(2.0)	9,209	9,156	0.6
Gross profit	4,662	4,239	10.0	8,336	7,511	11.0
Administrative expenses	730	675	8.1	1,490	1,317	13.1
Selling expenses	2,272	2,066	10.0	4,307	3,905	10.3
Operating expenses	3,002	2,741	9.5	5,797	5,222	11.0
	1,660	1,498	10.8	2,539	2,289	10.9
Participation in affiliated companies	8	20	(60.0)	2	20	(90.0)
Income from operations	1,668	1,518	9.9	2,541	2,309	10.0
Interest expense	237	274	(13.5)	490	600	(18.3)
Interest income	(107)	(69)	55.1	(212)	(135)	57.0
Interest expense, net	130	205	(36.6)	278	465	(40.2)
Foreign exchange loss (gain)	(14)	326	(104.3)	(276)	887	(131.1)
Gain on monetary position	(34)	(135)	(74.8)	(234)	(415)	(43.6)
Integral result of financing	82	396	(79.3)	(232)	937	(124.8)
Other expenses	65	131	(50.4)	80	181	(55.8)
Income before taxes	1,521	991	53.5	2,693	1,191	126.1
Taxes	575	377	52.5	948	463	104.8
Net Income	946	614	54.1	1,745	728	139.7
Majority net income	690	315	119.0	1,340	336	298.8
Minority net income	256	299	(14.4)	405	392	3.3

	% Total Revenues					
	1999	1998	Var P.P.	1999	1998	Var P.P.
Net sales	99.6	99.6	-	99.7	99.5	0.2
Other operating revenues	0.4	0.4	-	0.3	0.5	(0.2)
Total revenues	100.0	100.0	-	100.0	100.0	-
Cost of sales (*)	51.3	54.2	(2.9)	52.6	55.2	(2.6)
Gross profit (*)	49.1	46.2	2.9	47.6	45.3	2.3
Administrative expenses	7.7	7.4	0.3	8.5	7.9	0.6
Sales expenses	23.8	22.4	1.4	24.5	23.4	1.1
Operating expenses	31.5	29.8	1.7	33.0	31.3	1.7
	17.4	16.3	1.1	14.5	13.7	0.8
Participation in affiliated companies	0.1	0.2	(0.1)	-	0.1	(0.1)
Income from operations	17.5	16.5	1.0	14.5	13.8	0.7

(*) % to Net sales

CONSOLIDATED BALANCE SHEET

As of June 30, 1999 and 1998

Expressed in Millions of Pesos as of June 30, 1999

ASSETS	1999	1998
Cash and cash equivalents	3,046	2,420
Accounts receivable	2,342	2,434
Inventories	3,428	3,261
Prepaid expenses	708	503
Total Current Assets	9,524	8,618
Property, plant and equipment, net	24,532	24,451
Deferred charges and other assets	4,990	4,759
TOTAL ASSETS	39,046	37,828
LIABILITIES & STOCKHOLDERS´ EQUITY		
Bank loans	1,655	2,028
Current maturities long term debt	2,255	309
Interest payable	164	143
Operating liabilities	5,245	4,181
Total Current Liabilities	9,319	6,661
Bank loans	5,172	8,249
Labor liabilities	897	924
Other liabilities	100	89
Total Liabilities	15,488	15,923
Minority Interest	7,386	7,131
Majority Interest	16,172	14,774
Total Stockholders' equity	23,558	21,905
LIABILITIES & STOCKHOLDERS' EQUITY	39,046	37,828

FINANCIAL RATIOS		
Liquidity	1.02	1.29
Debt service coverage (*)	14.11	7.61
Leverage	0.66	0.73
Capitalization	0.32	0.35

(*) Income from operations + depreciation + other non-cash charges / interest expense,

FEMSA

Income Statement

Millons of period end pesos of June 30, 1999

SECOND QUARTER FIGURES

	FEMSA Cerveza		Coca-Cola FEMSA		FEMSA Empaques		FEMSA Comercio		Amoxxo		FEMSA Logística		FEMSA Consolidated	
	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998
Net sales	4,024.1	3,902.7	3,409.6	3,244.6	1,579.3	1,716.1	1,335.5	1,142.3	307.8	236.4	300.5	264.3	9,500	9,174
Other revenues	32.3	5.4	9.2	21.2	4.6	7.5	0.0	0.2	0.0	0.0	0.0	0.0	36	38
Total revenues	4,056.4	3,908.1	3,418.8	3,265.8	1,583.9	1,723.6	1,335.5	1,142.5	307.8	236.4	300.5	264.3	9,536	9,212
Cost of good sold	1,812.7	1,862.8	1,789.8	1,810.0	1,204.2	1,299.4	1,003.8	871.9	280.6	215.4	255.3	226.0	4,874	4,973
Gross margin	2,243.7	2,045.3	1,629.0	1,455.8	379.7	424.2	331.7	270.6	27.2	21.0	45.2	38.3	4,662	4,239
Operating expenses	1,322.4	1,254.4	1,101.9	998.3	140.7	151.8	275.0	235.1	26.7	27.0	20.7	13.0	3,002	2,741
Operating income	921.3	790.9	527.1	457.5	239.0	272.4	56.7	35.5	0.5	(6.0)	24.5	25.3	1,660	1,498
L-USA/Goodwill	8.0	20.7	(28.3)	(29.4)									8	20
Comparable EBIT	929.3	811.6	498.8	428.1	239.0	272.4	56.7	35.5	0.5	(6.0)	24.5	25.3	1,668	1,518
Management fee	81.7	33.4	0.0	0.0	15.9	17.3	4.0	3.5	0.0	0.0	(2.2)	3.2		
Total EBIT	847.6	778.2	498.8	428.1	223.1	255.1	52.7	32.0	0.5	(6.0)	26.7	22.1	1,668	1,518
Depreciation	190.4	179.6	120.3	93.7	57.5	56.5	11.9	10.6	1.7	1.1	11.0	21.1	392	365
Other non-cash charges	143.3	121.7	126.2	111.8	8.1	4.6	8.2	8.7	2.6	2.6	0.6	0.4	296	253
EBITDA	1,181.3	1,079.5	745.3	633.6	288.7	316.2	72.8	51.3	4.8	(2.3)	38.3	43.6	2,356	2,136
Comparable														
EBIT/Revenues	22.9	20.8	14.6	13.1	15.1	15.8	4.2	3.1	0.2	(2.5)	8.2	9.6	17.5	16.5
EBITDA/Revenues	31.1	28.5	21.8	19.4	19.2	19.3	5.8	4.8	1.6	(1.0)	12.0	17.7	24.7	23.2
Total														
EBIT/Revenues	20.9	19.9	14.6	13.1	14.1	14.8	3.9	2.8	0.2	(2.5)	8.9	8.4	17.5	16.5
EBITDA/Revenues	29.1	27.6	21.8	19.4	18.2	18.3	5.5	4.5	1.6	(1.0)	12.7	16.5	24.7	23.2
Capital Expenditures (1)	525.0	458.9	212.9	469.1	0.9	114.0	53.8	24.5	5.1	18.8	17.4	130.7	779.5	1,218.8

(1) Include property, plant and equipment + deferred charges

FEMSA

Income Statement

Millons of period end pesos of June 30, 1999

FIRST HALF FIGURES

	FEMSA Cerveza		Coca-Cola FEMSA		FEMSA Empaques		FEMSA Comercio		Amoxxo		FEMSA Logística		FEMSA Consolidated	
	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998
Net sales	7,042.5	6,676.8	6,568.4	6,130.9	3,075.4	3,174.7	2,494.9	2,116.1	601.3	449.4	549.0	391.6	17,497	16,581
Other revenues	51.0	31.7	18.9	57.8	9.4	13.2	0.0	0.4			0.0	0.0	48	86
Total revenues	7,093.5	6,708.5	6,587.3	6,188.7	3,084.8	3,187.9	2,494.9	2,116.5	601.3	449.4	549.0	391.6	17,545	16,667
Cost of good sold	3,319.3	3,302.4	3,532.5	3,465.3	2,336.3	2,383.5	1,883.3	1,607.1	548.4	409.3	460.3	332.2	9,209	9,156
Gross margin	3,774.2	3,406.1	3,054.8	2,723.4	748.5	804.4	611.6	509.4	52.9	40.1	88.7	59.4	8,336	7,511
Operating expenses	2,524.9	2,324.5	2,118.5	1,933.3	272.3	282.3	516.8	450.9	51.9	54.0	40.3	26.2	5,797	5,222
Operating income	1,249.3	1,081.6	936.3	790.1	476.2	522.1	94.8	58.5	1.0	(13.9)	48.4	33.2	2,539	2,289
L-USA/Goodwill	2.2	20.7	(57.9)	(58.7)									2	20
Comparable EBIT	1,251.5	1,102.3	878.4	731.4	476.2	522.1	94.8	58.5	1.0	(13.9)	48.4	33.2	2,541	2,309
Management fee	142.4	58.7	0.0	0.0	30.9	31.9	7.5	6.4	0.0	0.0	0.0	3.2		
Total EBIT	1,109.1	1,043.6	878.4	731.4	445.3	490.2	87.3	52.1	1.0	(13.9)	48.4	30.0	2,541	2,309
Depreciation	374.0	360.7	247.9	191.6	116.2	112.0	23.8	21.0	3.5	2.2	21.7	21.1	789	713
Other non-cash charges	294.5	252.8	253.0	223.5	13.4	8.3	16.7	17.6	5.4	5.0	1.0	0.4	592	515
EBITDA	1,777.6	1,657.1	1,379.3	1,146.5	574.9	610.5	127.8	90.7	9.9	(6.7)	71.1	51.5	3,922	3,537

Comparable

EBIT/Revenues	17.6	16.4	13.3	11.8	15.4	16.4	3.8	2.8	0.2	(3.1)	8.8	8.5	14.5	13.9
EBITDA/Revenues	27.1	25.6	20.9	18.5	19.6	20.2	5.4	4.6	1.6	(1.5)	13.0	14.0	22.4	21.2

Total

EBIT/Revenues	15.6	15.6	13.3	11.8	14.4	15.4	3.5	2.5	0.2	(3.1)	8.8	7.7	14.5	13.9
EBITDA/Revenues	25.1	24.7	20.9	18.5	18.6	19.2	5.1	4.3	1.6	(1.5)	13.0	13.2	22.4	21.2

Capital Expenditures (1)	1,022.9	851.2	387.0	783.6	94.8	277.0	88.4	40.2	10.8	38.1	34.8	130.7	1,611.5	2,169.5

(1) Include property, plant and equipment + deferred charges